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# 2014

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## Simplified Open Procedure Gwynedd Case Study

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2014  
Bangor University



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Authors: Dr Pedro Telles, Prof Dermot Cahill, Ceri Evans, Gary Clifford, Dr Ama Eyo  
Institute for Competition and Procurement Studies  
Bangor University  
College Road  
LL56 2DG  
Bangor, UK

Telephone: 01248 38 2907  
Email: [p.telles@bangor.ac.uk](mailto:p.telles@bangor.ac.uk), [dermot.cahill@bangor.ac.uk](mailto:dermot.cahill@bangor.ac.uk),  
[becky.hughes@bangor.ac.uk](mailto:becky.hughes@bangor.ac.uk)

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# 1. What is the “Winning in Tendering” project?

“Winning in Tendering” is aimed at transforming the public tendering experience of Small Indigenous Suppliers (‘SISs’ - this include SMEs and the Third Sector) in the INTERREG Ireland/Wales region by undertaking evidence-based research to address skill gaps of SISs and public procurers via a number of unique, innovative and complementary targeted interventions.

It is a 3.7 million Euros, 41 month, Strategic Project part funded by the European Regional Development Fund through the Ireland Wales Programme (INTERREG 4A) led by [Bangor University's Institute for Competition & Procurement Studies](#), along with partners, Dublin City University (DCU) and the Irish Institute of Purchasing & Materials Management (IIPMM).

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## 2. About this Case Study

This case study illustrates the changes to practice that are possible for awarding contracts below the EU thresholds. The purpose of the intervention undertaken with Gwynedd County Council was to test the new Simplified Open Procedure, a procedure developed and designed by the Winning in Tendering project to advertise contracts between £5,000 and £50,000 with reduced transaction and opportunity costs, it was first developed in conjunction with Carmarthenshire County Council and is described in this Case Study.

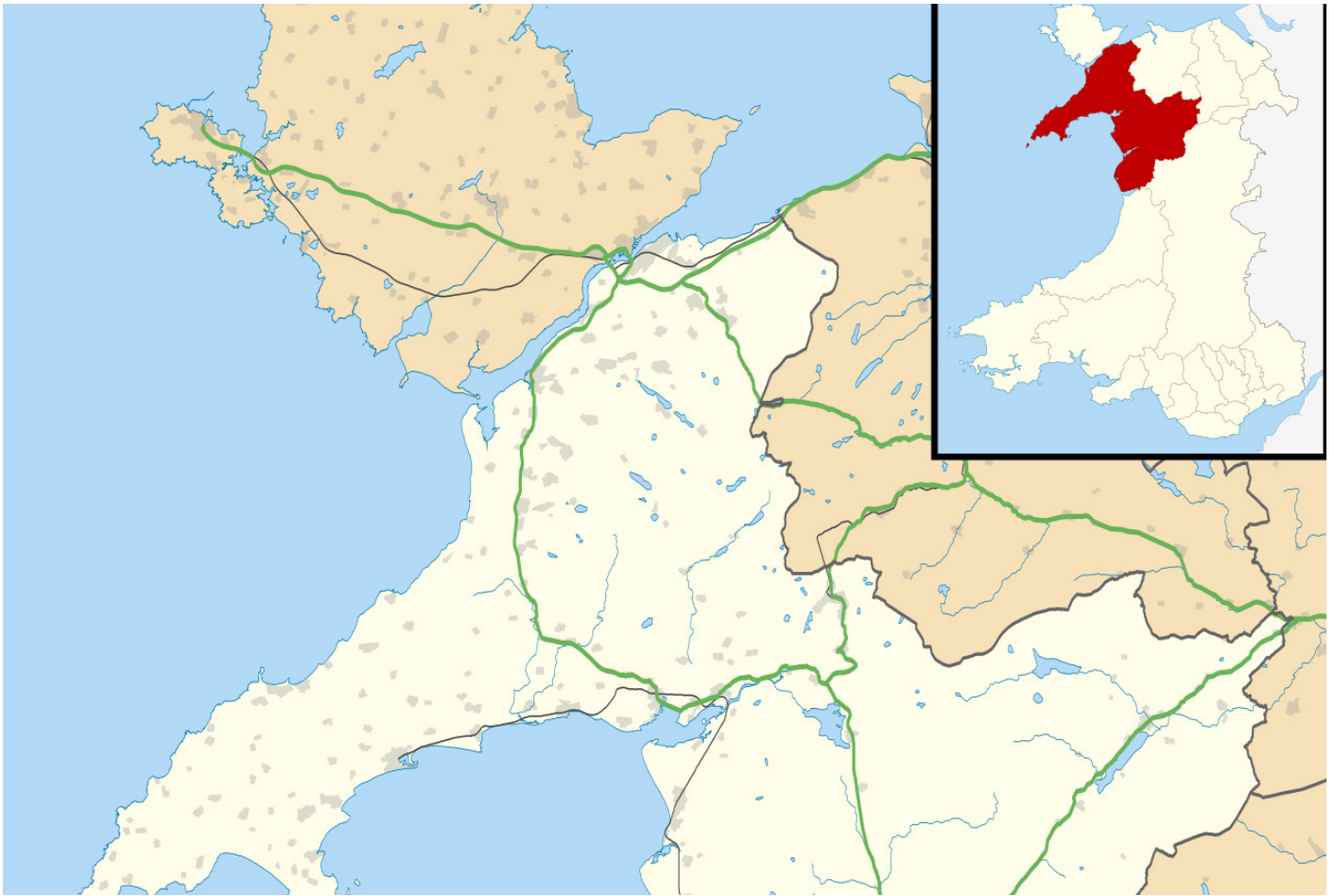
This document is accompanied by the Simplified Open Procedure Guidance, which contains further detailed information on how to undertake a simplified open procedure.

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## 3. Gwynedd County Council

Gwynedd is a large rural area with around 2,548 km<sup>2</sup>, situated in North-West Wales. It is the second largest County in Wales and represents 12% of the total area of the country, with a total population of little over 121,900 according to the 2011 census.

Gwynedd County Council currently spends around £135 million yearly over a wide range of services and goods. Its procurement strategy is to obtain the best value for the Council and Citizens when procuring goods, services and works and to become a leading example for effective and progressive procurement within local government.



## 4. Problem

Gwynedd County Council has a policy of advertising all contracts above £50,000 with contracts below this value being awarded through a request for quotes. For contracts between £50,000 and the EU thresholds, the Council was simply using the regular open procedure, that is, implementing the same practice that it uses for very expensive and complex larger contracts. Before undertaking this pilot, the Council was already considering lowering the advertising threshold from £50,000 to £25,000, in line with Welsh Government policy.

The Council was looking to ways to revitalise its supplier base and making it more competitive. In addition, it was aiming as well to bring new suppliers into the mix. Finally, as the Council was part of Winning in Tendering project's Steering Group, it expressed an interest in reforming its practice for low value contracts.

Although no specific research was conducted with the existing supplier base of Gwynedd County Council, it is safe to assume that the issues identified by the Winning in Tendering project's Case Study with Carmarthenshire County Council (with regards to its own supplier base and the use of the open procedure) are applicable in Gwynedd as well, i.e., supplier dissatisfaction with low number of contracts advertised and with the bureaucracy imposed by the standard open procedure.

## 5. Solution – “The Simplified Open Procedure”

As with Carmarthenshire County Council, the proposed solution to reform the approach of Gwynedd County Council to low value contracts was the use of a heavily modified open procedure to advertise and award such contracts. As the traditional open procedure is not adequate for the award of low value contracts (due to the substantial transaction and opportunity costs it imposes on both the contracting authority and the suppliers), we tried the new Simplified Open Procedure being developed by the Winning in Tendering project. At the time, the procedure had already been developed and tested by Bangor with Carmarthenshire County Council.

The Simplified Open Procedure is a lighter, faster version of the traditional open procedure, and is focused on keeping transaction costs for both procurers and suppliers down to a minimum. In the Simplified Open Procedure, only the strictly necessary elements to identify the best bid are retained. The objective of this specific pilot with Gwynedd County Council was to test the Simplified Open Procedure in a new setting, with another Council with its own distinct supplier base and different internal procedures.

To get the ball moving, a brainstorming session was held in late 2012 where the findings of what was important for Gwynedd County Council in a public procurement procedure was defined. As with Carmarthenshire County Council, the workshop started with a blank canvas and was focused on what was necessary, instead of what usually was included and should be taken out of the tender document. This workshop included two members of Corporate Procurement, one from Business Development and two from the client.

To test the new procedure, Gwynedd County Council opted to use it on a consultancy project in the tourism sector (“Keeping the Benefits Local - Realising the potential of capital projects to develop key sectors”). The Council wanted to procure a consultant that would help identify opportunities associated with some strategic projects being developed in Gwynedd, namely the Pwllheli National Sailing Academy and Events Centre and the Eryri Centre of Excellence.





# 6. Process

We started the pilot development with Gwynedd with the aforementioned workshop. This was done to test if the elements deemed as crucial by the team at Gwynedd were similar to what had been found in Carmarthenshire. As the findings from the session were indeed similar, it was decided to adopt the procedure as it had been developed by Carmarthenshire and introduce a few changes from there.

In any case, to achieve the aim of obtaining good, quality bids it was necessary to keep a close eye on the extension of the documentation.

## Box 1 – Gwynedd Simplified Open Procedure pilot in numbers

Contract value	£25,000
Procedure duration (days)	37
Number of interested suppliers	24
Number of bids for the contract	3
Total number of complaints by bidders	0
Total number of complaints from procurement officers	0





# 6.1 Full use of e-procurement

To minimise the transaction costs both for the contracting authority and suppliers, it was decided from the start to undertake the pilot as an e-procurement exercise, as this would be the time that the specific unit within Gwynedd was using e-procurement. The benefits of using e-procurement are well known: lower transaction costs and more flexibility for both for suppliers and procurers; and most of the traditional drawbacks (knowledge of the opportunity in the market, lack of internet access) overcome.

There were some fears that the supplier base would not be prepared to use e-procurement, but those were unfounded as a high number of organisations (24) looked at the contract opportunity on Sell2Wales. The platform used to manage the procedure was eTenderWales.

## Box 2 – Summary of main changes made to the Open Traditional Procedure

Full use of e-procurement
Executive Summary
No Selection Stage
Significantly Reduced Number of Questions
Word Limits
Clear Drafting

# 6.2 Executive Summary

Providing enough clear information upfront in the tender has two benefits: it allows the supplier to quickly make a decision to bid, and it dissuades other suppliers (that might not be able to provide a high quality competitive bid from investing time and effort) when their chances of winning are slim. As such, advertising the contract openly with a clearly written Executive Summary ensures that only good suppliers actually bid, thus limiting the fear of too many bids being submitted.

# 6.3 Self-declaration

In a traditional open procedure, all suppliers have to submit to the public procurer information that provides evidence they possess the technical and financial ability to undertake the contract, as well as complying with specific requirements such as:

- Insurance;
- Health and Safety;
- Equality Policies;
- Social or Environmental Policies.

The standard practice in the UK (outside Central Government) is to demand from suppliers the filling in of a very detailed pre-qualification questionnaire ('PQQ') that functions as a funnel to screen out suppliers before they submit the tender.

Although some work has been done to reduce this burden for suppliers through tools such as the SQUiD (Supplier Qualification Information Database, used in Wales, such tools being primarily helpful to suppliers to reduce the cost for the supplier of providing repetitively sought-after information), they do not solve the problem borne by the contracting authority of the cost involved in analysing the data received. Furthermore, much of that cost is unnecessary. For example, in a tender with 5 suppliers, the cost of analysing the selection information contained in the Pre-Qualification Questionnaire (PQQ) of the four other bidders that will not win the tender is wasted. In addition, by eliminating the selection stage, it is possible to further reduce the duration of the procedure.

Finally, the traditional selection stage tends to discriminate against smaller suppliers (as they will generally score lower in many categories) and may bias the procurer to look at the bid of the higher ranking suppliers more favourably. This bias fear is behind the strict separation in other countries (Italy, Portugal or Spain) of the officers conducting the selection and the award stages.

#### Box 4 – Self Declaration information requested

Mandatory grounds for exclusion of Regulation 23(1)
Grounds under which a services provider may be deemed ineligible Regulation 23(4)
Evidence of two similar contracts completed to satisfaction within the last three years (including referees)
Conflict of Interest Statement
Last year's Accounts
Public Liability Insurance (above value of £2M)
Professional Indemnity Insurance (above £500,000)
Employers Liability Insurance (above £5,000,000)
Technical Capacity (two similar projects)
Availability of Resources
Equal Opportunities
Anti-Collusion Certificate

As the Simplified Open Procedure is to be typically used in tenders involving low-value, low-risk contracts, it is preferable not to ask for that information in the first place. This is not to say that it is not important to know and check the supplier that wins the contract, but that it is only necessary to check the winner and not the remaining participants. To achieve this a self-declaration system was created. The self-declaration is a statement whereby suppliers confirmed they matched the requirements imposed by the authority, and would provide the necessary evidence if they were awarded the contract.

Under this system the authority is still setting what financials or insurance levels it is looking for, but will only check the documentation of the actual supplier who has presented the best bid. This saves time by shortening the process (no selection stage) and works both to suppliers' benefit (no need to supply the information unless they have won) and procurers' benefit (only one set of documents to review). Suppliers were asked to check the appropriate boxes on the template provided and signed a statement ensuring they would provide evidence of the information requested, if they were successful.

After the preferred bidder was chosen, it was contacted by Gwynedd County Council to provide evidence within 10 days of the information declared at the start. This requirement was complied with without any issues and well before the deadline.

Although the winner provided the necessary information, and the authority was happy with the answers provided, a safeguard was included asserting the right of the contracting authority to move down to the second best bid in case of failure to comply with the requirement. For the future, and as means to avert any collusion risks, the safeguard clause has been further amended to allow either for the cancellation of the tender or the move to consider the second best bid.

## 6.4 Reduced set of questions

A major area identified for improvement in the workshop (and addressed in the Carmarthenshire pilot) was the excessive number of questions suppliers were required to address at the tender stage. Asking questions which do not serve to identify the best bid, imposes costs for both suppliers and the contracting authority. On the one hand, suppliers will have to answer those questions, thus increasing their transaction costs. On the other hand, those same answers will have to be marked by the contracting authority, increasing the transaction costs for the authority as well. As such, we strived to reduce the number of questions to those that were strictly necessary to choose the winning bid.

In this pilot, only the following questions were asked at the tender stage:

### Box 5 – Questions asked at tender stage

Outline of general approach to brief
Key issues and risks
Outline draft project plan
Staff allocated to project
Resource plan

# 6.5 Imposing word limits

Word or page limits in answers are very common in certain sectors as a means of providing guidelines on the level of detail expected for an answer and also as a cap on its total length. They force respondents to be concise and provide only the information they think is key to the answer.

Although word limits are a good means to limit the amount of work for both sides of the table, they should be used with care. The actual word limit for each questions should be considered in some detail and not as an arbitrary value, e.g. particularly if too low, e.g., 250 words for methodology would be insufficient.

The numbers in Box 5 illustrate the word limits adopted for each question. In total, suppliers were allowed to write 7,500 words. This value translates into a maximum of around 15-20 pages of text for the full tender. The numbers provided strike a balance between enough depth in each answer and reducing the transaction costs involved. Higher values would have involved unnecessary extra work for suppliers, and for the procurers involved in evaluating overly long responses.

Box 6 – Word limits imposed

Outline of general approach to brief	500
Key issues and risks	1500
Outline draft project plan	2500
Staff allocated to project	2000
Resource plan	1000

# 6.6 Using simple, clear wording

The final major change undertaken in the pilot was the revision of the drafting style used. Where possible, a clear and unambiguous style was used. An effort was made to reduce the use of procurement-specific jargon. The reason for this effort was to help smaller supplier, particularly SMEs that may not have tendering experts writing their bids or a sophisticated level of linguistic competency. Although a supplier should be familiar with the technical terms of its sector, it will not necessarily be familiar with “procurement-speak”.



## 7. Benefits for the contracting authority

For this particular contracting authority, benefits from using the new Simplified Open Procedure can be divided into three key areas:

- Reduced timescales;
- More competition;
- Facilitating a specific unit within the Council to adopt a more cost effective evaluation and tender planning process.

### 7.1 Timescales similar to request for quotes

In the pilot undertaken, the contract was awarded within 37 days of being advertised on Sell2Wales. This is a number similar to what should be expected from a request for quotes, and much lower than the target of 120 days set forth by the UK Government for open procedures for EU threshold level contracts.

#### Box 6 - Key Dates

Advert in Sell2Wales	12/02/13
Deadline tender submissions	04/03/13
Notification of decision	08/03/13
Date to receive documents	15/03/13
Contract award	22/03/13

Reducing Award Time to 38 days is a significant time saving for low value contracts that renders this methodology competitive in terms of timescales even with the request for quote procedure. There is little scope left for a quicker turn around (other than reducing the advertising period further, something that is not recommended as it will leave smaller companies at a disadvantage). Providing 3 weeks for the preparation of bids is reasonable, bearing in mind that there is no PQQ to fill in, and that the tender document itself is significantly shorter than that used in traditional tender exercises.

This result was only possible to achieve by introducing all of the aforementioned changes to the traditional open procedure. Skipping some of them will reduce the efficiency of the procedure, and make it impossible to achieve the impressive timescales achieved in the pilots.

## 7.2 Increased competition

The authority also benefited from more interest in its contract than otherwise would have been achieved. A total of 24 companies looked into the tender opportunity on Sell2Wales and three bids were received.

The numbers of the pilot are in line with the expectations and objectives. As mentioned before, the purpose in using a simplified open procedure is to increase the advertising reach of a tender opportunity and attract suppliers that otherwise would not have been involved, while ensuring that only really interested competitive suppliers actually bid. Having 24 companies look at the contract notice, and only three bidding, shows that the process worked as anticipated.

## 7.3 Bringing up to speed one of its units that was yet to undertake an e-procurement exercise

Although considerable effort and time was invested in the development and preparation of the pilot, the tender itself went remarkably well. Through this effort it was possible to bring up to speed with best practices (both in e-procurement and in public procurement in general) three officers from the Council's Economy and Community Department.

*"We are very pleased with the progress of Prof Cahill's Winning in Tendering Project. The work that Professor Cahill and his team, in particular, Dr Pedro Telles and other WIT colleagues have done to help us make progress in the field of low-value procurement has been substantial, and has made a real difference in our piloting of low-value procurement tenders. This has resulted in significant benefits in terms of both time and cost-saving, not just for the Council, but also for our SME community. Under guidance from the Institute for Competition & Procurement Studies, we constructed and conducted a pilot tender using the Institute for Competition & Procurement Studies design drivers. The pilot was successful. 24 bidders looked at the tender, and we had healthy competition (so important for the public purse)."*

Geraint George,  
Head of Strategic and Improvement Department, Gwynedd County Council



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## 8. Benefits for suppliers

### 8.1 Contract opportunity advertised at low value

In a request for quotes generally only 3 companies have an opportunity to tender for the contract and those companies are selected by the contracting authority. By definition these are suppliers the contracting authority already knows, and has dealt with in the past. Relying on a small pool of suppliers has the risk of fostering too close a connection between suppliers and procurers. This is a situation conducive to unduly influencing procurers, and may facilitate collusion among suppliers. The pilot has shown that companies, including SMEs that had never dealt with Gwynedd County Council, will take the opportunity to bid for small contracts if they become aware of them.

Providing more contract opportunities advertised at lower price points (proposed in this case to be £5,000 to £50,000) allows any SME to have a chance at bidding for contracts that previously would only have been made known to a limited set of potential bidders. Therefore, it becomes possible for companies, without a track record in dealing with the contracting authority, to try and win such business.

In addition, by advertising low value contracts and ensuring equal treatment to all participants, the practice by some companies of systematically calling procurers asking to be put on supplier lists to be invited for future contracts, is rendered obsolete. All a supplier needs to do is to keep an eye on the contracting opportunities made available on Sell2Wales.

### 8.2 Reduced transaction costs

The final benefit for suppliers is the creation of a new way of advertising contracts that can lower their transaction costs and make their life easier when dealing with the contracting authority. Lower transaction costs mean they can invest the same time and effort, while bidding for a larger number of opportunities.

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